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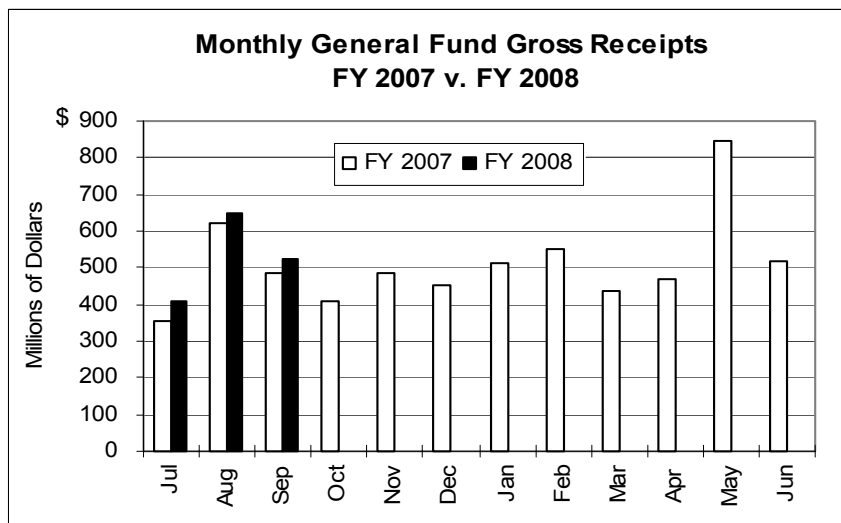
ADMINISTRATIVE SERVICES
 TIMOTHY C. FALLER

MEMORANDUM

TO: Members of the Iowa Senate and
 Members of the Iowa House of Representatives
 FROM: Dennis C. Prouty
 DATE: October 1, 2007

Monthly General Fund Receipts through September 30, 2007

The attached spreadsheet presents year-to-date FY 2008 General Fund receipts, with comparable figures for actual FY 2007. The figures can be compared to the FY 2008 estimate of \$6.399 billion set by the Revenue Estimating Conference (REC) on April 6, 2007. The FY 2008 estimate is an increase of \$260.3 million (4.2%) compared to actual FY 2007 gross cash receipts (excludes refunds, transfers, and accrued revenue changes). The next REC meeting is scheduled for October 9, 2007.



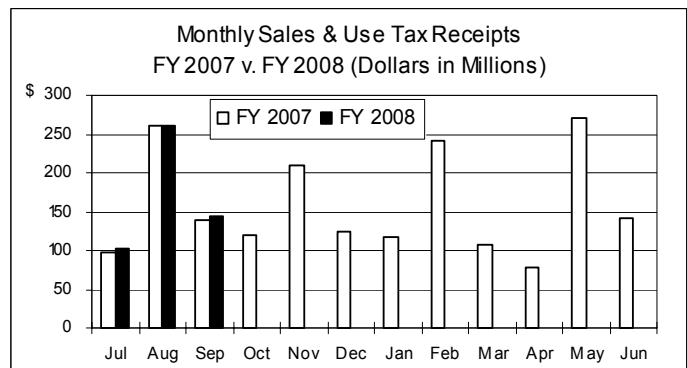
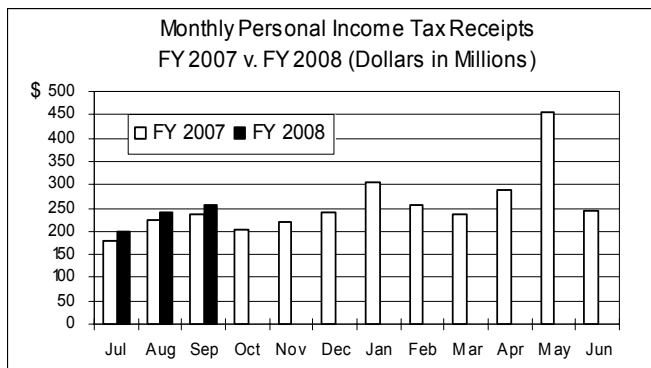
FY 2008 Compared to FY 2007

Fiscal year to date total gross cash receipts increased \$126.4 million (8.7%) compared to FY 2007. Major revenue sources contributing to the change include:

- Personal income tax (positive \$57.3 million, 8.9%)
- Sales/use tax (positive \$9.6 million, 1.9%)
- Corporate tax (positive \$17.0 million, 19.9%)
- Other taxes (positive \$31.7 million, 27.7%)
- Other receipts (positive \$10.6 million, 9.0%)

Personal income tax revenues received in September totaled \$257.8 million, an increase of \$21.7 million compared to September 2006.

The FY 2008 REC Income Tax estimate of \$3.175 billion represents a projected increase of 2.9% compared to actual FY 2007. For September, total Income Tax receipts increased 9.2%. By subcategory, withholding payments increased \$8.0 million (4.4%), estimate payments increased \$5.6 million (11.2%), and payments with returns increased \$8.1 million (270.4%). The following chart compares FY 2008 monthly Income Tax receipts from the three Personal Income Tax subcategories with FY 2007.



Sales/use tax receipts received in September totaled \$143.5 million, an increase of \$3.6 million (2.6%) compared to September 2006.

The REC estimate for FY 2008 Sales/Use Tax receipts is \$1.962 billion, an increase of 2.7% compared to actual FY 2007. Through September, FY 2008 Sales/Use Tax receipts have increased 1.9% compared to the same period a year ago. Gross Sales Tax receipts have decreased 0.3% through September while gross Use Tax receipts have increased 14.7%. The preceding chart compares FY 2008 monthly Sales/Use Tax receipts with FY 2007.

Corporate tax receipts received in September totaled \$51.3 million, a \$3.1 million increase (6.4%) compared to September 2006.

The REC estimate for FY 2008 Corporate Tax revenue is \$428.6 million, an increase of 0.9% compared to actual FY 2007. After a decrease in August, monthly corporate tax receipts increased in September, and the year-to-date increase in corporate tax through September is \$17.0 million (19.9%). Overall, corporate tax receipts have shown strong growth since February 2003.

Other tax receipts received in September totaled \$146.2 million, a \$31.7 million increase compared to September 2006. For September, other tax receipts increased 31.5%. Cigarette and Tobacco taxes continue to contribute significantly to increasing other tax receipts due to the mid-March Cigarette and Tobacco Tax rate change. September Insurance Premium Tax receipts decreased \$1.7 million (-81.0%) as the final stage of the tax rate phase-down is implemented. The REC estimate for FY 2008 receipts from other taxes is \$494.3 million, an increase of 35.8% compared to actual FY 2007.

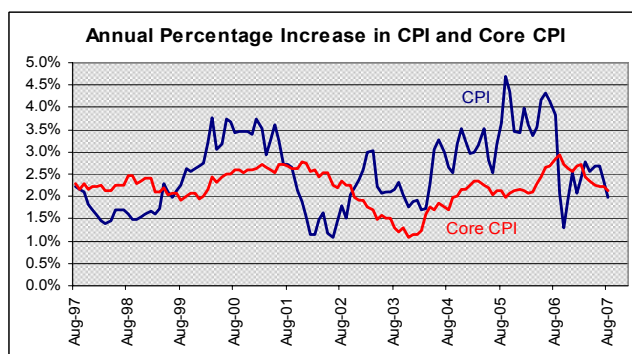
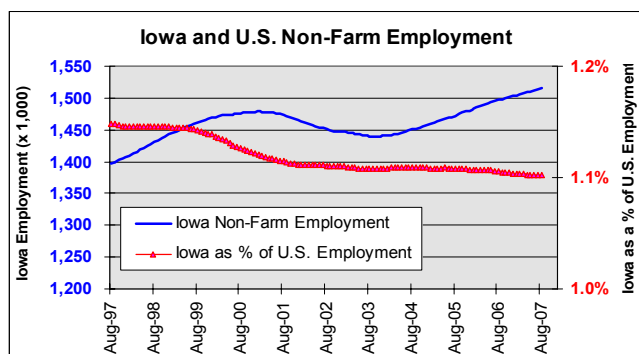
Other receipts (non-tax receipts) received in September totaled \$42.2 million, a \$5.1 million (13.7%) increase compared to September 2006. Racing and Gaming receipts and Judicial Revenues accounted for much of the growth for the month.

The REC estimate for FY 2008 other receipt revenue is \$338.5 million, a decrease of 4.3% compared to actual FY 2007. Through September, other receipts increased 9.0%.

Status of the Economy

Iowa non-farm employment was reported at 1,510,600 for the month of August (not seasonally adjusted), 19,900 higher (1.3%) than August 2006, but down slightly from adjusted July 2007 amount of 1,510,900.

Iowa's 12-month moving average employment is presented in a graph below. The average non-farm employment pre-recession peak was January 2001 (1,478,700), and the recession low was September 2003 (1,439,900). The current average reading is now 1,515,200, so annualized Iowa non-farm employment is 36,500 above its 2001 peak and 75,300 above the 2003 low. The chart below also presents Iowa non-farm employment as a percent of U.S. non-farm employment. Iowa's share of national non-farm employment decreased noticeably from 1998 through 2002. The decline has slowed considerably since early 2002, but the trend remains negative.



Consumer prices decreased 0.2% during August (not seasonally adjusted), the first decrease in CPI since November 2006. The Consumer Price Index (CPI-U) through August 2007 was 207.9 (1983/84=100), 2.0% higher than one year ago. The overall inflation rate has generally increased since mid-2004, when the price of oil started to rise significantly.

Core CPI, an inflation measure that excludes food and energy prices, increased 0.2% for August and the year-over-year change was 2.1%. The core inflation rate declined considerably from the early 1990's through March 2004. From March 2004 through September 2006, inflation as measured by core CPI more than doubled, peaking at 2.9%. The August level of 2.1% is the lowest year-over-year change since March 2006.

Information related to State General Fund receipts is available on the Fiscal Services Division's web site at: <http://staffweb.legis.state.ia.us/lfb/receipts/daily.html>.

GENERAL FUND RECEIPTS - FY 2007 vs. FY 2008 July 1 through September 30 (in millions of dollars) Dollars may not add due to rounding. Percentages Calculated on Rounded Numbers					ESTIMATED GENERAL FUND RECEIPTS (in millions of dollars) FY 07 Actual Compared to FY 08 REC Estimate		
	FY 2007	FY 2008	Year to Date % Change	September % Change	Actual FY 2007	Estimate FY 2008	Projected % Change
Personal Income Tax	\$ 640.3	\$ 697.6	8.9%	9.2%	\$ 3,085.9	\$ 3,175.4	2.9%
Sales/Use Tax	498.2	507.8	1.9%	2.6%	1,910.1	1,961.7	2.7%
Corporate Income Tax	85.4	102.4	19.9%	6.4%	424.6	428.6	0.9%
Inheritance Tax	18.7	18.2	-2.7%	-30.9%	76.0	81.2	6.8%
Insurance Premium Tax	60.1	52.5	-12.6%	-81.0%	105.2	124.0	17.9%
Cigarette Tax	22.6	58.0	156.6%	142.9%	122.0	219.7	80.1%
Tobacco Tax	2.3	5.7	147.8%	171.4%	12.1	15.4	27.3%
Beer Tax	4.2	4.3	2.4%	0.0%	14.3	14.3	0.0%
Franchise Tax	6.5	7.4	13.8%	12.2%	33.3	38.7	16.2%
Miscellaneous Tax	0.1	0.1	0.0%	-100.0%	1.0	1.0	0.0%
Total Special Taxes	\$ 1,338.3	\$ 1,454.0	8.6%	7.9%	\$ 5,784.5	\$ 6,060.0	4.8%
Institutional Payments	3.6	3.6	0.0%	-13.3%	12.9	12.6	-2.3%
Liquor Profits	12.5	13.8	10.4%	5.4%	64.8	67.8	4.6%
Interest	6.2	5.2	-16.1%	-30.4%	28.7	29.0	1.0%
Fees	19.3	21.1	9.3%	19.6%	84.7	62.9	-25.7%
Judicial Revenue	12.5	16.4	31.2%	134.6%	66.9	67.9	1.5%
Miscellaneous Receipts	6.2	8.8	41.9%	138.5%	35.7	38.3	7.3%
Racing and Gaming Receipts	58.0	60.0	3.4%	-1.9%	60.0	60.0	0.0%
TOTAL GROSS RECEIPTS	\$ 1,456.6	\$ 1,583.0	8.7%	8.4%	\$ 6,138.2	\$ 6,398.5	4.2%